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ACCC Issues Paper on the Airservices Australia Draft Price Notification 2024-2026

I am writing to you today in response to the ACCC's Issues Paper (Issues Paper) on the Airservices Australia's proposed Draft Price Notification 2024-2026 (the Draft Notification). The AAA is the national voice for airports, representing the interests of more than 340 airports and aerodromes across Australia. It also represents more than 150 corporate members supplying products and services to airports and the wider aviation industry.

In its response to the questions posed in the issues paper, the AAA makes the following comments against the numbered questions in the Issues Paper. These comments cover the areas in which the AAA has the most expertise and knowledge:

- 1) The AAA accepts the appropriateness of the proposed price increases for terminal navigation and Airfield Rescue and Fire Fighting services (ARFFS). However, Airservices' ARFFS capability and uplift program and proposed legislative reforms of ARFFS by CASA add complexity and uncertainty to the cost and delivery of ARFFS in the short to medium term.¹
- 2) The 26-month lifespan of the Draft Notification is likely to be too short for any approved pricing notification to provide stakeholders with confidence that Airservices will be able to achieve its financial goals by FY2025-26. Specifically, airports are uncertain as to whether the proposed pricing structure contained in the Draft Notification will:
 - a) Provide certainty of service provision. This is a key issue affecting Airservices' terminal navigation business line, specifically staffing of air traffic control (ATC) towers across the full span of operating hours stated in the ERSA.² This has been noted as a significant issue affecting operations across all airports with Airservices towers, particularly at metro airports with significant flight training activity (e.g. Archerfield, Moorabbin, Parafield) and large regional airports (e.g. Alice Springs, Broome, Cairns) along with major capital city airports. Other regional airports (Albury, Gold Coast) have been further affected from both the reduction in operating hours and continued staff shortages. Uncertainty in service provision is also an issue with ARFFS.
 - b) Provide Airservices with incentives to increase service quality. Following on from the above, there is concern that the new pricing schedule will make good on previous revenue

¹ Civil Aviation Safety Authority (2023), Proposed changes to aerodrome rescue and firefighting services legislation (creation of new Part 176 of CASR). Viewed on 8 January 2024 at: <https://consultation.casa.gov.au/regulatory-program/pp-2101as/>

² Airservices Australia (2023), *En Route Supplement Australia*, effective 30 November 2023. Viewed on 9 January 2024 at: <https://www.airservicesaustralia.com/aip/aip.asp?pg=40&vdate=30NOV2023&ver=1>

shortfalls, without reinvestment in improved staffing of ATC and ARFFS functions. In short, it is difficult for airports to see a clear link between increased prices and increased service quality delivered by Airservices based on recent performance.

- 3) Regarding the pricing path, significant concern has been raised over ARFFS price increases at some of the 26 airports in the Draft Notification, with higher costs passed through to airlines (and the travelling public through airfares). Provision of ARFFS is a regulatory requirement determined by Civil Aviation Safety Authority (CASA) and International Civil Aviation Organization (ICAO) regulations.

The increase in ARFFS pricing reflects decision by Airservices on the levels of service for provided at these airports.³ While the proposed changes reflect changes to domestic and international aviation fleets (particularly the increasing domestic role for narrow-bodied jets), the pricing proposal could be detrimental to regional airport growth plans in the following ways.

- a) ARFFS charges at regional airports such as Hamilton Island, Launceston and Mackay will face a 550% increase (from \$2.32 per pax to \$13.64 per pax) from April 2024, while Sunshine Coast will face a 304% increase to accommodate Category 7 aircraft.⁴
- b) Similarly, ARFFS charges at Canberra airport will rise by 298% (from \$9.08 per pax to \$23.06 per pax) in April 2024 to take Category 8 aircraft; while Adelaide airport faces a 168% increase (from \$5.27 per pax to \$8.27 per pax) to take Category 9 and 10 aircraft.⁵

Regional and smaller airports operate in a competitive aviation environment, often accessing similar consumer markets and seeking prioritisation of aircraft availability alongside their major airport counterparts. At a sector-wide level, the proposed average increases in ARFFS and terminal navigation charges may appear modest, however, their effect on regional airports is material. The proposed rates may provide a competitive disadvantage to regional airports in attracting new carriers and routes compared to major airports, with airlines potentially deciding to discontinue, reduce or not start a service into a regional airport due to uncompetitive costs for ARFFS and terminal navigation charges compared with other airports.

- 4) In terms of investment or expenditure alternatives excluded from the Draft Notification, the AAA expresses the following views:
 - a) Increased fees should be linked to Airservices' operational performance, particularly through adherence to agreed standards of service regarding on-time performance across the network and expanding the current performance indicators covering Airservices' delivery of ATC tower and ARFFS services, along with flight cancellations and ground delays at all airports with ATC and ARFFS facilities, compared the current indicators which only cover the four largest airports (Sydney, Melbourne, Brisbane, Perth).
 - b) The short period covered by the Draft Proposal ringfences major capital expenditure from Airservices (OneSky implementation, new and expanded services at Western Sydney, Perth and Melbourne airports) by pushing them beyond FY 2025-26 into the 'out years' of a future pricing proposal.
- 7) In examining the estimates of price impacts on the industry in the Draft Notification, the AAA accepts the accuracy of the likely impact of the proposed price changes based on the assumptions of the aviation growth scenarios in the Draft Notification. However, there is significant uncertainty within the aviation industry over the strength and endurance of the post-pandemic recovery, which presents revenue and other risks to all industry participants.
- 8) Commenting on Airservices' determination of operating costs in the Draft Notification, the AAA:

³ Airservices Australia, 'ARFF levels of service'. Viewed on 15 January 2024 at:

<https://www.airservicesaustralia.com/about-us/our-services/aviation-rescue-fire-fighting-service/arff-levels-of-service/>

⁴ Figures are based on AAA analysis of prices in Table B2 of Appendix B of the Issues Paper.

⁵ Figures are based on AAA analysis of prices in Table B2 of Appendix B of the Issues Paper.

- a) Accepts Airservices' calculation of estimated operating costs, but;
- b) In the light of assumptions Airservices made around reform to its systems, processes and workforce in its 2016 modernisation plan ('Accelerate') and measures taken during the pandemic and the implementation of OneSky in the medium term, there was a significant incentive to cut operating costs (particularly staff costs), with effects on cancellations, ground delays and the under-delivery of ATC and ARFFS services that have been the subject of significant discussion within the aviation sector, Government and the media.
- 10) Commenting on determination of capital costs in the Draft Notification, the current capital investment program neglects existing assets. Airservices' capital program invested in modernisation of internal systems, new and upgraded airport infrastructure (Western Sydney, Melbourne, Perth) and the troubled OneSky air traffic management system, subject of a recent 'Projects of Concern' summit held between the Departments of Infrastructure and Defence.⁶ Demonstrably, these investment decisions have not contributed to Airservices' current ability to deliver reliable and consistent quality of service in Terminal Navigation and ARFFS functions.
- 16) In terms of the appropriateness of the capital city basin pricing approach for terminal navigation charges, the AAA recognises the joint-service relationship between capital city major and 'metro' airports, but finds it difficult to draw the conclusion reached from Draft Notification on subsidies for capital city 'metro' airport terminal navigation costs. These airports costs will rise by 7.5% in April 2024 and by a total of 30% over the pricing period; similar to almost all airports including major capital city airports in the basins, such as Adelaide, Brisbane, Perth and Sydney as well as the majority of regional airports. In future Draft Notifications, it is recommended the ACCC requests Airservices better quantify its subsidies to metro airports to better understand the process in this and future Draft Proposals.
- 19) The appropriateness and effectiveness of Airservices' performance measurement and monitoring system is in significant need of updating and overhauling. The AAA makes the following comments on the performance metrics presented in Table 6.8 of the Issues Paper:
- a) The current set of performance outcomes do not currently capture consistency in provision of terminal navigation and ARFFS operations to understand gaps in ATC tower and ARFFS operating hours at capital city, metro and large regional airports. The AAA recommends the ACCC makes the addition of new performance outcomes to cover ATC tower and ARFFS availability as a condition of approval of the Draft Proposal.
- The AAA also recommends the existing key performance indicators need to be expanded beyond the four largest airports (particularly for the '100% planned aerodrome capacity delivered' outcome). With an expanded set of performance outcomes, this broader coverage could encompass the other major, metro and regional airports served by Airservices terminal navigation and ARFFS services.
- b) Airservices' reporting to stakeholders on progress against performance outcomes and key performance indicators has been useful to communicate network-wide trends and trends at the four largest airports.⁷ However, it is perceived the high-level data dilutes genuine issues occurring beyond the four largest airports, particularly at other capital city, metro and regional airports.
- The AAA recommends the ACCC ensuring an expanded reporting framework is embedded and reported on as a condition of approval of the Draft Proposal. This would provide greater confidence to the aviation sector that progress is being made to improve service delivery in critical performance areas. Through internal and external consultation, appropriate measures for Baseline and Target measures could be determined. This expanded reporting

⁶ Joint Media Release, 'Government Concern Summit discusses Civil Military Air Traffic Projects', 8 December 2023. The Hon. Catherine King MP and the Hon. Pat Conroy MP. Viewed on 11 January 2024 at: <https://minister.infrastructure.gov.au/c-king/media-release/concern-summit-discusses-civil-military-air-traffic-projects#:~:text=A%20Projects%20of%20Concern%20summit,the%20project%20by%20early%202024.>

⁷ Airservices Australia (2023), *Australian Aviation Network Overview*, December, p. 15-18.

framework should include cases where management of regional airspace is exercised remotely from the Brisbane or Melbourne control centres, as exists at Ballina-Byron airport.

- c) The most appropriate mechanism to ensure Airservices makes progress against its performance metrics is for the ACCC to regularly monitor Airservices performance against the enhanced set of quality-of-service metrics outlined above. As it monitors pricing and quality-of-service (QoS) for airlines and airports, price and QoS monitoring of Airservices by the ACCC would provide open and transparent coverage of the entire aviation sector.

Finally, the AAA makes comments on other matters that may not necessarily map over neatly to questions in the Issues Paper. These matters include:

- Under-resourcing of the Airspace Approvals team has caused (and continues to cause) delays in getting approvals for airspace penetrations such as cranes at airports.
- Some capital investment shifts costs to the aviation sector: There is concern that the efforts by Airservices and CASA to safely manage some parts of Australia's airspace is shifting implementation costs on to the aviation sector through the increased charges in the Draft Proposal. Ballina-Byron airport has raised concerns on this issue as part of its transition of terminal navigation management to a 'digital' ATC tower by 2025, where capital costs (estimated between \$10-\$20 million) of the digital tower and the associated operating costs (\$2-\$4 million/year)⁸ will be passed through to the broader industry by Airservices: to the airport, to airlines using the airport and the travelling public.
- Emissions reduction strategies are lacking: The role of Airservices in reducing aviation emissions by Airservices is not well examined in the Draft Proposal or the Issues Paper. Beyond a commitment in its Corporate Plan to reduce its own emissions by 10% below 2018-19 levels by 2025-26 as part of a pledge to reach Net Zero by 2050 and reductions in the proportion of noise complaints in relation to aircraft movements,⁹ the Draft Proposal does not indicate how Airservices will play its part to reduce the aviation sector's emissions.

Given the Government's Jet Zero Council Draft Work Plan has an item "Identifying and promoting better practice in airport operations and design", which directly addresses the "Reduction of CO2 emissions and fuel burn through efficient management of aircraft ground movements" element of Airservices' 2024-26 Capital investment plan,¹⁰ Airservices need to be more explicit in how it will support the sector in achieving Net Zero goals and how this will feed into its future capital investment, operating costs and cost recovery frameworks.

The AAA appreciates the opportunity to participate in the response to the Issues Paper. Should you have any further questions regarding this submission, please contact Scott Martin, Director of Policy and Research via email at: smartin@airports.asn.au or on telephone: 0437 285 739.

Yours sincerely



James Goodwin
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⁸ Civil Aviation Safety Authority (2022), *Airspace Review of Ballina, New South Wales*, November, p. 22.

⁹ Australian Competition and Consumer Commission (2023), *Airservices Australia draft price notification 2024-2026 Issues Paper*, November. Table 6.8 Airservices Performance Metrics, p. 34-5. Viewed on 19 January 2024 at: https://www.accc.gov.au/system/files/ACCC%20issues%20paper%20-%20Airservices%20Australia%20draft%20price%20notification%202024-2026_0.pdf

¹⁰ Airservices Australia (2023), *Draft Price Notification 2024-26*, Appendix 4, Capital Investment 2024-26, November, p. 61. Viewed on 19 January 2024 at: <https://www.accc.gov.au/system/files/Drafting%202024%20LTPA%20Draft%20Notification%20%28Nov%20Update%20-%2016-11-23%29.pdf>